# Miller, Watt and Frank Introduce National Mortgage Reform and Anti-Predatory Lending Bill

Washington, DC - **Rep. Brad Miller (NC-13)**, along with **Rep. Mel Watt (NC-12)** and **House Financial Services Committee Chairman Barney Frank**
, introduced today
*The Mortgage Reform and Anti-Predatory Lending Act of 2009*
aimed at curbing predatory lending, which has been a major factor in the highest home foreclosure rate in the nation in 25 years.

The bill is a tougher version of a measure that Rep. Miller sponsored in the previous Congress that would have overhauled mortgage regulations in an effort to prevent another subprime mortgage meltdown. Rep. Miller's previous bill passed the House in 2007 with bipartisan support, but was never considered in the Senate.

"The political climate has changed," said **Rep. Miller.** "The foreclosure crisis has wreaked havoc on middle-class families and our economy as a whole. The industry's arguments for watering the bill down are not at all convincing."

Specifically, the new measure will strengthen restrictions on compensation paid to mortgage loan originators and brokers that is based on a loan's interest rate and terms, often called yield-spread premiums. Lenders sometimes pay brokers an extra fee for making loans at a higher interest rate than the borrower otherwise could have received. The Congressman says those payment arrangement are an indefensible conflict of interest.

The 2009 measure also includes stronger language on so-called assignee liability. That language would make mortgage investors, who often own home loans that are packaged into securities, more liable for fraudulent loans.

A key element of the legislation prohibits lenders from underwriting loans that consumers do not have a reasonable ability to repay and prohibits practices that increase the risk of foreclosure for consumers. The bill also encourages the market to move toward making 30-year fixed-rate, fully documented loans, the norm again in mortgage lending. The growth of exotic, non-traditional mortgages were a major factor in the current housing and foreclosure crisis.

"This bill represents an important step toward preventing the predatory and questionable practices that took hold in the mortgage lending industry in the past several years and undoubtedly contributed to our current housing crisis," said **Rep. Watt.** "Mortgage lending reform is a vital piece of the Congressional effort to prevent a future financial services disaster of this scale."

The legislation also protects consumers from being steered into loans that aren't in their best interest, and if they refinance there must be a tangible net benefit to the consumer.

According to the Center for Responsible Lending, 2.4 million Americans risk foreclosure in 2009. That number could rise to 8.1 million over the next 4 years. The foreclosure epidemic is being caused primarily by families borrowing against their homes to pay their bills when something has gone wrong, not because they are buying more house than they can afford. Families are borrowing against their homes because of job loss, serious illness, divorce and major home repairs. Approximately 72 percent of subprime mortgages from 1998 to 2006 are refinances, not loans to purchase homes.

The bill will also create greater transparency by ensuring lenders make full disclosure of the terms of the loan at the time of signing.

"Americans who lose their home to foreclosure fall out of the middle class and into poverty, probably forever," said **Rep. Miller.** "And, middle-class homeowners are seeing their life's savings disappear with the collapse of home values."

The Miller-Watt-Frank bill is modeled after North Carolina's predatory lending statute, which is considered the model state statute for preventing abusive lending practices, while preserving consumer access to credit.

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